ORIGINAL OPEN MEETING

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MEMORANDUM

Arizona Corporation Commission
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AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: November 9, 2007

RE: ARIZONA PUBLIC SERVICE - APPLICATION FOR APPROVAL OF AN ELECTRIC SUPPLY AGREEMENT WITH FRITO-LAY (DOCKET NO. E-01345A-07-0577)

On October 5, 2007, Arizona Public Service Company ("APS") filed an application for approval of an electric supply agreement with Frito-Lay. APS included a statement that waived the 30-day time clock.

Frito-Lay has installed a 168 kW photovoltaic ("PV") system under APS' Environmental Portfolio Standard Credit Purchase Program to generate a part of its electric load. The cost of the PV system was $1.22 million. APS will be providing a performance-based rebate of $0.25 per kWh generated.

Frito-Lay currently purchases all of its electric power from APS under APS' rate schedule E-32 (General Service). If Frito-Lay operates the PV systems, Frito-Lay would be purchasing partial requirements service from APS instead of full requirements service. Decision No. 69663 (APS' last rate case) either froze or eliminated all of APS' existing partial requirements rate schedules. Therefore, APS has offered Frito-Lay an electric supply agreement with terms that would allow operation of the PV system to be economical for Frito-Lay.

The agreement would become effective upon Commission approval and placement of metering and remain in effect for five years. The agreement could be terminated by either party with 30-days notice or by APS if Frito-Lay does not operate the PV units for 60 consecutive days other than during planned scheduled maintenance periods. The minimum electric demand contracted for under the agreement would be 162 kW. The maximum demand would be 324 kW. Frito-Lay would have to give 30 days advance notice of any demand above the maximum.

Under the proposed agreement, Frito-Lay would pay the Basic Service and Revenue Cycle Service charges (currently $1.134 per day) from E-32. Supplemental service, defined as demand and energy contracted by Frito-Lay to augment the power and energy generated by Frito-Lay's PV system, would be provided under the rates contained on E-32. Those rates currently consist of $0.00185 per kWh for system benefits, $1.585 per kW for transmission; $6.892 per kW for delivery of the first 100 kW, $2.924 per kW for delivery of all additional kW, $0.0001 per kWh for delivery, generation charges in the summer of $0.0892 per kWh for the first 200 kWh per kW plus $0.05135 per kWh for all additional kWh, and generation charges in the winter of $0.07418 per kWh for the first kWh per kW plus $0.03633 per kWh for all additional kWh.

Frito-Lay would purchase standby service to have replacement power available when the PV systems are not operating. The monthly delivery charge for standby service would be calculated by multiplying the unbundled delivery charge (currently $2.924 per kW) from E-32 by the 15-minute integrated kW measured on the generator meter during Frito-Lay's monthly peak demand. In addition, Frito-Lay would pay all applicable adjustments and surcharges.

APS would pay Frito-Lay for any excess energy from the PV system at the per kWh monthly non-firm purchase rates as shown on APS' rate schedule EPR-2 (Purchase Rates for Qualified Facilities 100 kW or Less for Partial Requirements).

Using 12 months of Frito-Lay's consumption history, an estimated 24.2 percent capacity factor for the PV generation, and current rates, APS has estimated that Frito-Lay would have paid APS about $119,000 for the year ($0.0731/kWh) under the proposed agreement while operating the PV system, compared to about $151,000 ($0.0757/kWh) under E-32 without operating the PV system.

Staff recommends approval of the proposed agreement with Frito-Lay.

Staff also analyzed this application in terms of whether there were fair value implications. In Decision No. 69663, issued on June 28, 2007, the Commission determined the fair value of APS' property to be $6,057,554,000. That determination is appropriate for purposes of this analysis. Compared to APS' total revenues, any impact from this agreement would be de minimus, and any impact on APS' fair value rate base and rate of return would also be de minimus.

Staff also recommends that the Commission specify in its Order that approval of the agreement at this time does not guarantee any future ratemaking treatment of the agreement with Frito-Lay.

for Ernest G. Johnson
Director
Utilities Division

EGJ:BEK:lhm\JFW

ORIGINATOR: Barbara Keene

BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

IN THE MATTER OF ARIZONA PUBLIC SERVICE - APPLICATION FOR APPROVAL OF AN ELECTRIC SUPPLY AGREEMENT WITH FRITO-LAY	DOCKET NO.E-01345A-07-0577 DECISION NO. __________ ORDER

Open Meeting
November 27 and 28, 2007
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On October 5, 2007, APS filed an application for approval of an electric supply agreement with Frito-Lay. APS included a statement that waived the 30-day time clock.

3. Frito-Lay has installed a 168 kW photovoltaic ("PV") system under APS' Environmental Portfolio Standard Credit Purchase Program to generate a part of its electric load. The cost of the PV system was $1.22 million. APS will be providing a performance-based rebate of $0.25 per kWh generated.

4. Frito-Lay currently purchases all of its electric power from APS under APS' rate schedule E-32 (General Service). If Frito-Lay operates the PV systems, Frito-Lay would be purchasing partial requirements service from APS instead of full requirements service. Decision No. 69663 (APS' last rate case) either froze or eliminated all of APS' existing partial requirements

rate schedules. Therefore, APS has offered Frito-Lay an electric supply agreement with terms that would allow operation of the PV system to be economical for Frito-Lay.

5. The agreement would become effective upon Commission approval and placement of metering and remain in effect for five years. The agreement could be terminated by either party with 30-days notice or by APS if Frito-Lay does not operate the PV units for 60 consecutive days other than during planned scheduled maintenance periods. The minimum electric demand contracted for under the agreement would be 162 kW. The maximum demand would be 324 kW. Frito-Lay would have to give 30 days advance notice of any demand above the maximum.

6. Under the proposed agreement, Frito-Lay would pay the Basic Service and Revenue Cycle Service charges (currently $1.134 per day) from E-32. Supplemental service, defined as demand and energy contracted by Frito-Lay to augment the power and energy generated by Frito-Lay's PV system, would be provided under the rates contained on E-32. Those rates currently consist of $0.00185 per kWh for system benefits $1.585 per kW for transmission; $6.892 per kW for delivery of the first 100 kW, $2.924 per kW for delivery of all additional kW, $0.0001 per kWh for delivery, generation charges in the summer of $0.0892 per kWh for the first 200 kWh per kW plus $0.05135 per kWh for all additional kWh, and generation charges in the winter of $0.07418 per kWh for the first kWh per kW plus $0.03633 per kWh for all additional kWh.

7. Frito-Lay would purchase standby service to have replacement power available when the PV systems are not operating. The monthly delivery charge for standby service would be calculated by multiplying the unbundled delivery charge (currently $2.924 per kW) from E-32 by the 15-minute integrated kW measured on the generator meter during Frito-Lay's monthly peak demand. In addition, Frito-Lay would pay all applicable adjustments and surcharges.

8. APS would pay Frito-Lay for any excess energy from the PV system at the per kWh monthly non-firm purchase rates as shown on APS' rate schedule EPR-2 (Purchase Rates for Qualified Facilities 100 kW or Less for Partial Requirements).

9. Using 12 months of Frito-Lay's consumption history, an estimated 24.2 percent capacity factor for the PV generation, and current rates, APS has estimated that Frito-Lay would have paid APS about $119,000 for the year ($0.0731/kWh) under the proposed agreement while

operating the PV system, compared to about $151,000 ($0.0757/kWh) under E-32 without operating the PV system.

10. Staff has recommended approval of the proposed agreement with Frito-Lay.

11. Staff has also analyzed this application in terms of whether there were fair value implications. In Decision No. 69663, issued on June 28, 2007, the Commission determined the fair value of APS' property to be $6,057,554,000. That determination is appropriate for purposes of this analysis. Compared to APS' total revenues, any impact from this agreement would be de minimus, and any impact on APS' fair value rate base and rate of return would also be de minimus.

12. Staff has also recommended that the Commission specify in its Order that approval of the agreement at this time does not guarantee any future ratemaking treatment of the agreement with Frito-Lay.

CONCLUSIONS OF LAW

1. APS is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over APS and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated November 9, 2007, concludes that it is in the public interest to approve the agreement.

ORDER

IT IS THEREFORE ORDERED that the agreement between Arizona Public Service Company and Frito-Lay be and hereby is approved as discussed herein.

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IT IS FURTHER ORDERED that approval of the agreement at this time does not guarantee any future ratemaking treatment of the agreement with Frito-Lay.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I DEAN S. MILLER, Interim Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _______day of __________________, 2007.

DEAN S. MILLER
Interim Executive Director

DISSENT: ___________________________

DISSENT: ___________________________

EGJ:BEK:lhm\JFW

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DOCKET NO. E-01345A-07-0577

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